

# BUDGET LETTER

		NUMBER: 05-16
SUBJECT: GENERAL STATEWIDE SECTIONS		DATE ISSUED: July 22, 2005
REFERENCES: BUDGET ACT OF 2005, (CHAPTERS 38 AND 39, STATUTES OF 2005)		SUPERSEDES: BL 04-25

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

The 2005 Budget Act contains various changes to the General Statewide Sections that may affect a wide range of departments. Sections 4.01, 4.05, 4.85, 5.45, 8.53, and 11.05 were added to the Budget Act of 2005. Sections 24.30 and 33.50 were revised. The new and revised Sections are outlined below. For additional information regarding these Sections, please contact your Department of Finance (Finance) Budget Analyst or the Finance analyst responsible for the Section, as listed at the end of this Budget Letter (BL). Sections 4.10, 4.35, 4.45, 4.60, 5.30, 6.60, 12.10, 15.00, 34.50, and 35.00 were included in the Budget Act of 2004 and are not included in the Budget Act of 2005.

## **SECTION 4.01—EMPLOYEE COMPENSATION REDUCTIONS**

Section 4.01 instructs the Director of Finance to reduce appropriations to reflect savings achieved pursuant to the Alternate Retirement Program (Chapter 214, Statutes of 2004) and other reforms in employee compensation, subject to memoranda of understanding negotiated with bargaining units and ratified by the Legislature. These reductions shall not be made from Higher Education, the Judicial Branch, or the Legislature.

## **SECTION 4.05—GENERAL FUND APPROPRIATION REDUCTIONS**

Section 4.05 instructs the Director of Finance to reduce \$100 million from General Fund appropriations. These reductions shall not be made from Higher Education, the Judicial Branch, the Legislature, Constitutional Officers, debt service, or augmentations for contingencies or emergencies. It is the intent of the Legislature that these reductions will result in a total of \$200 million increase to the General Fund reserve by the end of 2006-07.

## **SECTION 4.85 – TRANSFER FROM PUBLIC BUILDING CONSTRUCTION FUND TO THE GENERAL FUNDS**

Section 4.85 transfers the amount remaining in the State Public Works Board, 1991A and 1995B Energy Efficiency Bonds, Public Building Construction Fund, to the General Fund.

## **SECTION 5.45—CALFED BOND FUND INFORMATION**

Section 5.45 requires Finance to provide information to the Legislature related to the CALFED Bay-Delta Program. Specifically, the Section requires submittal of baseline bond fund expenditures and local assistance and capital outlay budget change proposals when the Governor's Budget is released.

## **SECTION 8.53—NOTICE OF FEDERAL AUDITS**

Section 8.53 instructs agencies, departments, and other state entities to provide final Federal audit reports or deferral letters to the Legislature within 30 days of receiving such report or letter.

## **SECTION 11.05—UNAPPROVED INFORMATION TECHNOLOGY PROJECTS ADDITIONAL NOTIFICATION REQUIREMENTS**

Section 11.05 was developed because the Legislature was concerned that a number of Information Technology (IT) projects were included in the 2005-06 Budget that did not have project documents approved by Finance. Section 11.05 consists of requirements specific to fiscal years 2005-06 and 2006-07:

### ***For Fiscal Year 2005-06:***

- Finance is required to provide 30-day legislative notification if a budget action (i.e., Budget Change Proposal, Spring Finance Letter, or May Revision) was included in the 2005-06 Budget and the associated IT project document (e.g., Feasibility Study Report or Special Project Report) was not approved by Finance prior to July 1, 2005.
- Departments cannot expend the increased appropriation until Finance approves the project **and** the legislative notification period has passed.
- If the amount Finance approves for the project is less than the amount appropriated in the Budget Act of 2005, the department may spend only up to the approved amount, and the remaining funds shall revert to the fund of appropriation.
- Exceptions are provided if, prior to June 1, 2005, Finance directed departments to provide IT project documents after completion of specified events.

### ***For Fiscal Year 2006-07:***

- For 2006-07, it is the Legislature's intention not to approve additional funding if the IT project document associated with the budget action has not been approved by Finance when the budget action is submitted to the Legislature.

In order for Finance to complete project reviews timely, departments are reminded to provide high quality, comprehensive and complete project documents in an approvable format by the dates specified in the Statewide Information Management Manual Section 05A located at:  
[http://www.dof.ca.gov/HTML/IT/SIMM/2005/4-05/SIMM\\_05A.pdf](http://www.dof.ca.gov/HTML/IT/SIMM/2005/4-05/SIMM_05A.pdf).

## **SECTION 24.30—TRANSFER SCHOOL BUILDING RENTAL INCOME TO THE GENERAL FUND**

Section 24.30 allows for the transfer to the General Fund of revenues received from the rental of portable classrooms to school districts by the State Allocation Board. In the past, this Section required that all rental income be transferred to the General Fund. This year, Finance has worked with the State Allocation

Board to build more flexibility into the Section to allow some of the income to be retained to support the program.

### **SECTION 33.50—STRATEGIC SOURCING**

Section 33.50 allows the Director of Finance to periodically reduce amounts in items of appropriation to reflect savings achieved through various procurement efforts. Prior to the implementation of reductions, a report detailing the savings must be provided to the Legislature.

If you have any questions regarding these Sections, please call the following Finance staff:

- Section 4.01 – Tim Lynn – (916) 445-3274
- Section 4.05 – Oscar Chaves – (916) 445-5332
- Section 4.85 – Rocel Bettencourt – (916) 445-9694
- Section 5.45 – Keith Gmeinder – (916) 324-0043
- Section 8.53 – Linda Sebastiani – (916) 322-5540
- Section 11.05 – Linda Simone – (916) 445-1777
- Section 24.30 – Walter Schaff – (916) 445-0328
- Section 33.50 – Jennifer Osborn – (916) 445-8913

Thank you!

/s/ Veronica Chung-Ng

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